BOND CLOTHES

WORN BY MORE FASHION-MINDED MEN AND WOMEN

THAN ANY OTHER CLOTHES IN AMERICA

annual report

YEAR ENDED JULY 31, 1960

BOND STORES, INCORPORATED

OFFICERS

Irving Cohen	*Chairman of the Board and Treasurer*
Ellis H. Schechtman	*President*
Irving Moselowitz	*Executive Vice-President*
Sylvan N. King	*Vice-President*
Maurie Sanger	*Vice-President*
Louis A. Good	*Vice-President*
Louis B. Berman	*Vice-President*
William B. Loftus	*Vice-President*
Bernard Grossman	*Vice-President and Secretary*
John B. Goetke	*Assistant Secretary*

BOARD OF DIRECTORS

H. Roe Bartle
Irving Cohen
Fred F. Florence
Wm. J. Hammerslough
Sylvan N. King
Joseph Klingenstein
Irving Moselowitz
Charles F. Phillips
Maurie Sanger
Ellis H. Schechtman

TRANSFER AGENT

THE FIRST NATIONAL CITY BANK OF NEW YORK
2 Broadway • New York 15, N. Y.

REGISTRAR

BANKERS TRUST COMPANY
16 Wall Street • New York 15, N. Y.

BOND STORES, INCORPORATED
FIFTH AVENUE AT 35TH STREET
NEW YORK 1, N. Y.

October 24, 1960

Dear Stockholder:

With the approval of the Board of Directors, a summary of your Company's consolidated operating results for the fiscal year ended July 31, 1960, is herewith submitted.

Initially, we direct your attention to the Consolidated Balance Sheet and Statement of Income and Earned Surplus on the following pages. These reports reflect the strong financial position of your Company, as evidenced by its $42,487,046.61 of working capital and ratio of current assets to current liabilities of 7.5 to 1, up from last year's ratio of 6.0 to 1.

Total annual sales for the fiscal year were $85,062,632.01, compared with sales of $84,806,773.17 for the preceding year, an increase of $255,858.84. This increase is attributable to the several new stores opened and in operation during part of the 1959-60 fiscal year. At such fiscal year-end, there were 101 stores in operation, three more than as of the prior fiscal year-end. One store, previously closed as the result of a fire, was re-opened in September 1959, and three new shopping center stores were opened, one each, in the months of October and November, 1959 and March 1960. One smaller, outmoded store, for which the future did not look encouraging, was closed on January 2, 1960. Two agency franchises were discontinued, leaving 28 still in operation; no expansion in this category is presently contemplated.

Consolidated net income from operations of the Company and its wholly-owned subsidiaries, after provisions for Federal income taxes and the Company's and subsidiaries' contributions to the Bond Stores, Incorporated Employees' Profit Sharing and Retirement Fund, amounted to $2,556,695.84, equal to $1.51 per common share on the 1,688,383 shares outstanding at the fiscal year-end. Earnings per share for the same number of common shares outstanding on July 31, 1959, amounted to $1.89.

Total cash dividend distribution for the year was $2,110,478.76, at the rate of $1.25 per share. After adding the balance of income to earned surplus, the capital stock and surplus of your Company totalled $55,004,129.92, equal to a book value of $32.58 per share of common stock. Since the close of the fiscal year, a regular quarterly dividend of 31¼¢ was paid to stockholders on September 15, 1960, this being the 88th cash dividend paid to stockholders since 1937.

On July 31, 1960, cash (including time certificates of deposit and investments in short-term marketable securities) was $2,583,828.26 less than as of the prior fiscal year-end. Such reduction in the Company's cash position is attributable in part to the payment on December 13, 1959 of $2,332,273.35, being the entire balance due on a mortgage of our wholly-owned subsidiary's Times Square, New York City property. The land and building are now free and clear of encumbrances. Additional purchases of substantial quantities of raw materials which resulted in increasing our merchandise inventories to $21,012,967.11 from $19,187,156.14 as of the prior year-end, were also a contributing factor. Such additional purchases, particularly of raw materials as mentioned above, were made in order to take advantage of offerings at favorable prices and, to assure continuity of operations at capacity of our manufacturing plants prior to and in anticipation of a labor increase which became effective on June 1, 1960. Additionally, the availability of sufficient raw materials enables us to manufacture

adequate inventory for the new stores planned for opening during the first half of the 1960-61 fiscal year. It is our opinion that inventories of merchandise and purchase commitments bear a reasonable relationship to current and prospective sales.

We plan to open fourteen new stores during fiscal 1960-61. Except for one, a replacement of an existing mid-town store, all will be in suburban shopping centers, so that we may continue to take full advantage of the important population explosion to suburban areas and of customer acceptance of this new concept in retailing. As of this date, four of the stores have already opened and I am pleased to report have been well received in their respective communities. Barring unforeseeable delays, five additional stores, plus the replacement store mentioned above, are expected to open this Fall, before Thanksgiving. The remaining four stores should be ready for opening next March or April. Presently under careful investigation and consideration are a number of shopping center offerings which appear to meet our standards as to size, location and other tenancies. We expect to conclude satisfactory leases for at least ten, to be opened during fiscal 1961-62.

The anticipated benefits of our expansion program are not reflected in the Balance Sheet and Statement of Income and Earned Surplus. In fact, the reverse is true, since much of the substantial expense in connection with the new stores opened or to be opened during the first half of fiscal 1960-61 occurred in the year just ended. However, these new stores are expected to contribute to future sales increases and profits.

Much of management's continuing efforts are directed toward effecting further economies and improving operating efficiency in all departments, in order to offset current and anticipated operating cost increases. As an example, we are presently experimenting with consolidation of credit operations in several multiple store areas. A reduction in personnel requirements, coupled with a further improvement in customer service, are anticipated. When we have assured ourselves of these results, we plan to expand credit consolidation to other multiple store areas, with like savings. Our general and administrative offices, as well as our buying and merchandising staffs, are geared for efficient servicing of existing and new stores, with only minimum additional clerical personnel required.

Another example of management's efforts to control expenses is demonstrated in negotiations for renewals of several leases on "downtown" store premises which have resulted, in each case, in a reduction of minimum guaranteed and percentage rent. In addition, each such renewal is for a period not in excess of five years with earlier termination options available to us.

Limited availability of skilled manpower in our presently established manufacturing markets has created a problem of maintaining production at a level comparable with requirements based on our accelerated store expansion program. In order to insure the proper balance of manufacturing facilities with distribution and sales, we recently leased an adequately equipped clothing factory building in Poughkeepsie, New York, following a market survey which disclosed an availability of skilled help in that area sufficient for our requirements. These additional manufacturing facilities will enable us to increase production of men's outer coats to a level consistent with requirements for existing and contemplated new stores. I am pleased to report that the garments manufactured meet with our high quality standards. We gratefully acknowledge the cooperation of the officers of the Amalgamated Clothing Workers of America for their assistance in this matter.

The Bond Stores, Incorporated Employees' Profit Sharing and Retirement Fund Plan, in operation since 1953, has generated increased interest, loyalty and efficiency among the Company's participating employees. Subject to Treasury Department approval, it is planned to broaden the eligibility requirements to include certain categories of sales employees heretofore excluded and to reduce the length of service requirement from five years to three years.

It is with a feeling of profound sorrow that we record the passing of Barney Ruben, the Chairman of the Board and President of the Company, a dynamic and inspirational leader, esteemed by his associates and respected by all, whose guidance and wisdom will be missed by those of us who were privileged to have known him and to have worked in close association with him, for many years.

We should like to thank each and every one of our employees in our factories, offices and retail stores who have, individually and collectively, contributed so much toward the achievement of our present eminent position in our industry. During the trying conditions that have prevailed over the past year, nothing that we have achieved could have been accomplished without the loyal cooperation and devotion of all of our employees, to whom we pay tribute. We express our appreciation, also, to our many suppliers of raw materials and finished products, who, likewise, have played such an important part in our progress. Finally, to you, our stockholders, our thanks for your confidence and support during the year. May we suggest that as a stockholder, you are a valuable "asset" of the Company. Your patronage and your recommendations of our products and merchandise to your family, friends and associates are important in the continuing growth of your Company—and will be greatly appreciated.

We, of management, are ever-mindful of our responsibilities to our customers, employees and stockholders. Despite economic uncertainties, international tensions, expanded competition, increased operating costs and other external pressures, your management is committed to a continuance of the standards and policies that have contributed so much to our success story.

Respectfully submitted,

Ellis H. Silberman

President

Irving Cohen

Chairman of the Board

BOND STORES, INCORPORATED A

CONSOLIDATED BALANCE S

ASSETS

Current Assets:			
Cash (including time certificates of deposit of $1,500,000.00)			$9,609,272.13
Short-term state and municipal bonds—at cost, which approximates market, plus accrued interest			5,555,085.82
Accounts receivable—customers		$12,657,153.97	
Less: Reserve for doubtful accounts		312,179.00	12,344,974.97
Miscellaneous accounts receivable			496,577.25
Merchandise inventories—Note A:			
Woolens, trimmings, etc.		3,645,144.65	
Work in process		1,257,329.54	
Finished goods		16,110,492.92	21,012,967.11
Total Current Assets			49,018,877.28
Miscellaneous Other Assets			341,461.47
Fixed Assets—at cost—Note B:			
Land and buildings	$9,505,861.96		
Less: Reserves for depreciation	2,014,549.96	7,491,312.00	
Machinery, furniture, fixtures and equipment	7,426,696.03		
Less: Reserves for depreciation	4,645,426.63	2,781,269.40	
Alterations, improvements and leaseholds	6,602,832.92		
Less: Reserves for amortization	4,177,432.51	2,425,400.41	12,697,981.81
Deferred Charges:			
Prepaid rent and advances to landlords on improvements to leased properties		848,685.40	
Unexpired insurance and other prepaid expenses		806,299.02	1,654,984.42
			$63,713,304.98

The accompanying Notes to Fi

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EXHIBIT A

ND WHOLLY-OWNED SUBSIDIARIES
HEET AS AT JULY 31, 1960

LIABILITIES

	Shares			
Current Liabilities:				
Accounts payable				$1,584,020.14
Deposits and due to customers				399,762.60
Accrued expenses and sundry liabilities				2,905,936.14
Reserve for Federal income taxes—Note C				1,515,456.18
Mortgage bonds payable—current installments—Note B				126,655.61
Total Current Liabilities				6,531,830.67
Mortgage Bonds Payable by Subsidiary—Note B			$2,304,000.00	
Less: Current installments shown above			126,655.61	2,177,344.39
Capital Stock and Surplus:				
Preferred Stock— par value $100.00 per share:				
Authorized to be issued in series as designated by the Board of Directors	100,000			
Retired and cancelled	60,000			
Authorized but not designated	40,000			
Common Stock— par value $1.00 per share:				
Authorized	2,500,000			
Issued and outstanding	1,688,383		1,688,383.00	
Capital Surplus (no change during the year)		$11,596,135.77		
Earned Surplus—Exhibit B		41,719,611.15	53,315,746.92	55,004,129.92
				$63,713,304.98

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l be read in conjunction herewith.

BOND STORES, INCORPORATED

AND WHOLLY-OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEAR ENDED JULY 31, 1960

Sales		$85,062,632.01
Cost of goods sold and stores and general and administrative expenses, exclusive of depreciation and amortization—Note D		79,664,511.54
		5,398,120.47
Add:		
Income from owned real estate before depreciation—Note E	$258,437.44	
Other income—net	500,268.91	758,706.35
		6,156,826.82
Deduct:		
Depreciation and amortization		1,275,130.98
Net income before Federal income taxes		4,881,695.84
Provision for Federal income taxes—Note C		2,325,000.00
Net income		2,556,695.84
Earned Surplus as at July 31, 1959		41,273,394.07
		43,830,089.91
Dividends on Common Stock		2,110,478.76
Earned Surplus as at July 31, 1960—Exhibit A		$41,719,611.15

The accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED

AND WHOLLY-OWNED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS AS AT JULY 31, 1960

NOTE A: Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method as to furnishings and accessories and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for pricing the merchandise inventories are consistent with the practice of prior years.

NOTE B: Land in the amount of $5,549,393.34 and buildings in the amount of $3,956,468.62, totaling $9,505,861.96, consist principally of property located at 45th Street and Broadway, New York City, owned by Adda, Inc., a wholly-owned subsidiary; properties in Rochester, New York, including the factory owned by Bond Martin St. Corp., a wholly-owned subsidiary; property located in Chicago, Illinois, owned by Stajac, Inc., a wholly-owned subsidiary; a factory in New Brunswick, New Jersey; and a factory located in Meridian, Mississippi, owned by Burnley Shirt Corporation, a wholly-owned subsidiary.

The property owned by Stajac, Inc., a wholly-owned subsidiary, is subject to a first mortgage in the amount of $2,304,000.00, payable in quarterly installments to December 17, 1967. At said date the unamortized balance of the mortgage becomes due and payable. The Corporation is not liable under such mortgage, but is the lessee of the property under a long term lease, which lease is assigned as collateral under the mortgage.

NOTE C: The Federal income tax returns of the Corporation have been examined to July 31, 1957.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

NOTE D: The Employees' Profit Sharing and Retirement Fund Trust Agreement provides, among other things, for (1) voluntary contributions by eligible employees, (2) contributions by the Corporation and its wholly-owned subsidiaries, out of net earnings for the year as defined in the agreement, of 20% of the participating employees' contributions, (3) additional contributions by the Corporation and its wholly-owned subsidiaries computed at various percentages of net earnings for the year as defined in the agreement after deducting therefrom $4,000,000.00 plus $1.00 per share for any additional shares which the Corporation may issue after December 31, 1952, excluding additional shares resulting from stock dividends or split-up of stock and (4) the right of the Corporation to discontinue contributions to the plan.

The contributions of the Corporation and its wholly-owned subsidiaries for the year ended July 31, 1960, amounted to $124,407.77.

NOTE E: This item includes intercompany rental on property partly occupied by the Corporation.

GENERAL: As at July 31, 1960, the aggregate minimum annual rental upon real property leases, other than intercompany leases, expiring after July 31, 1963, amounts to approximately $2,972,000.00. Certain of these lease agreements provide for additional rentals based on sales or for payment of certain expenses, such as real estate taxes and maintenance costs.

ACCOUNTANTS' REPORT

To the Board of Directors,

BOND STORES, INCORPORATED, New York, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated and wholly-owned subsidiaries as at July 31, 1960, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of Bond Stores, Incorporated and wholly-owned subsidiaries at July 31, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
October 5, 1960

S. D. LEIDESDORF & CO.

LOCATION OF BOND STORES AND AGENCIES

ALABAMA
BIRMINGHAM

CALIFORNIA
FRESNO
GLENDALE
HOLLYWOOD
HUNTINGTON PARK
LAKEWOOD CENTER
LOS ANGELES (5 stores)
NORTH HOLLYWOOD
OAKLAND (2 stores)
PANORAMA CITY
SAN FRANCISCO
SAN JOSE
WEST COVINA

CONNECTICUT
HARTFORD
NEW HAVEN
*NEW LONDON
*TORRINGTON

DELAWARE
*WILMINGTON

DISTRICT OF COLUMBIA
WASHINGTON

FLORIDA
*JACKSONVILLE
*TALLAHASSEE

GEORGIA
ATLANTA
SAVANNAH

ILLINOIS
ALTON
CHICAGO (7 stores)
HILLSIDE
KANKAKEE
SPRINGFIELD

IOWA
DES MOINES

KENTUCKY
LOUISVILLE

LOUISIANA
*MONROE

MAINE
*PORTLAND

MARYLAND
BALTIMORE (2 stores)
HYATTSVILLE

MASSACHUSETTS
BOSTON
FALL RIVER
*LAWRENCE
*PITTSFIELD
SPRINGFIELD

MICHIGAN
DETROIT (2 stores)

MINNESOTA
MINNEAPOLIS

MISSOURI
KANSAS CITY (2 stores)
ST. LOUIS (2 stores)

MONTANA
*BILLINGS

NEBRASKA
*HASTINGS

NEW JERSEY
EATONTOWN
JERSEY CITY
MENLO PARK
NEWARK
NEW BRUNSWICK
PARAMUS
TRENTON

NEW MEXICO
*ROSWELL

NEW YORK
ALBANY
BUFFALO
*ELMIRA
*GLENS FALLS
HICKSVILLE, L. I.
NEW HYDE PARK, L. I.
NEW YORK (7 stores)
ROCHESTER (2 stores)
SCHENECTADY
SYRACUSE
VALLEY STREAM, L. I.

OHIO
AKRON
*ALLIANCE
CINCINNATI
CLEVELAND (3 stores)

OHIO (continued)
COLUMBUS
DAYTON
LORAIN
MAPLE HEIGHTS
*SALEM
TOLEDO
YOUNGSTOWN

OKLAHOMA
OKLAHOMA CITY

PENNSYLVANIA
*BUTLER
*CHESTER
GERMANTOWN
*HAZLETON
*NEW KENSINGTON
PHILADELPHIA
PITTSBURGH
READING
SCRANTON
*UPPER DARBY
WILKES-BARRE

RHODE ISLAND
PROVIDENCE

TENNESSEE
MEMPHIS (2 stores)

TEXAS
*ABILENE
*BROWNWOOD
*CORPUS CHRISTI
DALLAS (3 stores)
FORT WORTH
HOUSTON (2 stores)
*WICHITA FALLS

VERMONT
*BARRE
*RUTLAND

VIRGINIA
FALLS CHURCH

WEST VIRGINIA
*PARKERSBURG

WISCONSIN
WAUWATOSA (Milwaukee)

Factories in Rochester, N. Y., New Brunswick, N. J., and Meridian, Miss.

*AGENCIES

We are pleased to announce the planned opening of the following stores during fiscal 1960-1961

Anaheim Shopping Center
Anaheim, California

***Cheltenham Shopping Center**
Philadelphia, Pennsylvania

***College Grove Shopping Center**
San Diego, California

***Connecticut Post Shopping Center**
Milford, Connecticut

Dayton Air Way Center
Dayton, Ohio

El Monte Shopping Center
El Monte, California

Great Lakes Mall
Cleveland, Ohio

163-40 Jamaica Avenue
Jamaica, New York

Irondequoit Shopping Plaza
Rochester, New York

***Lakemore Plaza**
Akron, Ohio

Mission Valley Shopping Center
San Diego, California

Ridgemont Shopping Center
Rochester, New York

Tri-County Shopping Center
Cincinnati, Ohio

***Westland Shopping Center**
Denver, Colorado

*Opened to date